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ABSTRACT

Support is growing for the concept of the enterprise zone. Congress has before it a bill, the Enterprise Zone Tax Act of 1982, that would provide incentives and create a climate in which entrepreneurs and business executives would locate businesses in areas of pervasive poverty and unemployment. A potential urban enterprise zone in New York City is the South Bronx. The program's major thrust would be economic development and coordinated employment training in which vocational and technical education could play a vital part. Assuming that high technology companies and plants would relocate in the area, a challenge would be for vocational-technical education to prepare local inhabitants for jobs other than those at the lowest level and in the service sector. The current technological revolution is based on advances and changes in information processing as well as creation and distribution. Entry workers would be required to have a minimum level of technical skills; experienced workers would have to regularly upgrade skills or acquire new ones. The educational system must adapt to the changes to support the economy. Alternatives to extensive retraining of instructors would be hiring instructors from business and industry or having vendors provide inservice training on state-of-the-art practices. (YLB)

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"TECHNICAL EDUCATION IN
THE ENTERPRISE ZONE"

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As your program indicates, Mr. George Quarles was scheduled to be with you this morning. He currently is about 15,000 miles away, on the other side of the world, serving as a vocational specialist in Zimbabwe, for the Agency for International Development. When we think about changes in technology, it took the Queen Elizabeth weeks to get to the Falklands - now "shuttle diplomacy" has come to education.

I would like to thank you for the opportunity of being with you this morning for several reasons:

1. As the conference has demonstrated, the "Investment in People" theme is our business, our only business, and we have all made that investment by our presence.
2. Having taken on the obligation of this session, I was forced to do the kind of research I often put off.
3. I spent time and effort with my colleagues in other parts of our city - the National Alliance of Business, Economic Development Council, South Bronx Development Organization. Much of the background information on the enterprise zone as a concept was developed by Mr. George Dobren, an excellent political analyst and more important an insightful friend. The South Bronx program was developed and presented by Mr. Edward Logue, President, South Bronx Development Organization, Inc., in testimony before a House of Representatives subcommittee, July 13, 1982.

I would like to comment on the following aspects of the Enterprise Zone and Technical Education and hopefully bring these pieces together for discussion:

- A bit of history
- Overview of legislation
- South Bronx Model
- Business and Industry needs
- Technical Education perspective

A BIT OF HISTORY

The concept of the enterprise zone was popularized in this country by Stuart Butler, an Englishman, currently working for the Heritage Foundation, a think tank highly regarded by Washington Conservatives. The Enterprise Zone model was developed in England by Peter Hall, an urban planning expert and has operated since 1980 in seven zones. Cities such as London, Belfast and Liverpool have areas focusing on the removal of regulations.

The English experiment is intended to stimulate businesses, especially small business, in depressed central city neighborhoods. Entrepreneurs are encouraged to risk their capital or establish a branch office or satellite, with the federal government removing the tax and regulatory obstacles as an incentive. Local governments are also expected to ease restrictions (red tape), wherever possible.

The concern is to create a climate in which entrepreneurs will feel free to move and grow, rather than select small businesses to receive government aid. Limited capital, limited borrowing power or limited knowledge - so typical of the small entrepreneur - are the obstacles to be addressed.

Congressman Robert Kemp suggests that "everybody is a potential entrepreneur. How dare some elite group of politicians and academics suggests that entrepreneurs are some select group, that there is a fixed number in our society?"¹

It should be noted that the focus is on small business based on a Massachusetts Institute of Technology study indicating that two thirds of all new jobs are created by small businesses employing 20 or fewer persons.

A key element of the Enterprise Zone is that it is designed to work with, AND NOT REPLACE, existing federal, state and local initiatives.

OVERVIEW OF LEGISLATION

During the past two years, Enterprise Zone has become a buzz-word in Washington and in cities throughout the country. Several bills have been written, and many revisions including:

HR 2950 - April 1, 1981 - Representative Rangel -

Targeted Area Revitalization Act

HR 3824/51310 - June 4, 1981 - (Senator Chafee and Boschwitz
(Representative Kemp and Garcia

Urban Jobs and Enterprise Zone Act

President Reagan endorsed this act in the State of the Union
Message, January 26, 1982.

HR 7094/S 2298 - passed by the Senate Finance Committee,
October 18, 1982.

Major Provisions of the Enterprise Zone Tax Act of 1982 - S 2298, HR 7094

NOTE: S 2298 (introduced by Senators Chafee and Boschwitz) is the legislative embodiment of the Reagan Administration's enterprise zone plan. The provisions of S 2298 were recently attached to HR 7094 and passed by the Senate Finance Committee. The House has not taken action on the bill.

¹Michael Thorun, "Elixir for Blight", Nations Business, February, 1981.

I. Zone Eligibility Criteria:

A federal enterprise zone must have a continuous boundary and (in an urban area) a population of at least 4,000. A zone must meet the eligibility criteria established under HUD's Urban Development Action Grant (UDAG) program, and be an area of pervasive poverty, unemployment and general distress as manifested by at least one of the following characteristics:

- o Average annual unemployment at least $1\frac{1}{2}$ times the national average according to the most recent Bureau of Labor Statistics data.
- o Low-income, poverty area, as classified by Bureau of the Census.
- o 70% of zone residents have incomes of less than 80% of the local median.
- o 1970-1980 population decrease of at least 20%.

II. Zone Designation Criteria:

Up to 25 zones will be designated nationwide during each of three years, for a maximum of 75 zones. Zones will be nominated by local governments (with state consent) or by state governments (with local consent). Zones will be selected on a competitive basis by the U.S. Department of Housing and Urban Development (HUD). In evaluating state and local zone applications, HUD will emphasize tax relief, regulatory relief, improved public services, and involvement in the program by private sector groups. Zones will be designated by HUD for up to 20 years, with a four year phaseout period. At least one-third of the zones must be in areas designated as rural.

III. Tax Incentives:

1. Payroll tax credits

- (a) 10% non-refundable employer tax credit for payroll in excess of that in the year prior to zone designation.
- (b) 50% non-refundable, supplemental employer tax credit for wages paid to disadvantaged employees in the first three years of employment. Thereafter, credit declines by 10% a year.

2. Investment Tax Credits

- (a) 3% investment tax credit for 3-year depreciable, personal property.
- (b) 5% investment tax credit for 5-year, 10-year, 15-year personal property.

- (c) 10% of tax credit for the construction, rehabilitation or acquisition of commercial or industrial or residential real property within a zone.

3. Elimination of capital gains taxes for qualified zone properties

- (a) Non-corporate capital gains may be deducted from gross income.
- (b) Corporate capital gains may be excluded from gross income.

4. Extension of loss carryover provisions to zone life or 15 years, whichever is longer.

5. Carryover of unused investment tax credits for zone life or 15 years, whichever is longer.

IV. Other Incentives:

- 1. Continued use of small-issue, tax-exempt industrial development bonds (IDBS) in zone areas. Small-issue IDBS targeted to zone projects would be exempt from future Congressional curbs on the use of these bonds.
- 2. Foreign Trade Zones: Whenever possible, foreign trade zones would be established within zone areas.
- 3. Regulatory relief: Federal government to encourage relaxation of federal regulations and coordination of HUD programs within zone.

Some of the arguments in favor of the bill include:

- Billions spent on welfare in the past 20 years have provided crucial services - but created a system of dependency and a self perpetuating poverty cycle. The bill attempts to break the cycle via jobs in the private sector.
- The act will "lure" business to take the risk of locating in the zone by lucrative tax incentives if 40% of the "unemployed" in the area are given jobs.
- Workers who take the jobs will receive a 5% tax break.
- Legislation aimed to attract small businesses - since 80% of all new jobs from businesses less than 100 workers and 2/3 with less than 20 workers.
- It is assumed that advancement will be faster and opportunities to learn more greater.
- Very little Federal Government involvement - HUD just designates the zones.
- Very wide non-partisan support. NAACP, National Urban League, Congressional Black Caucus and President Reagan.

- People will take a chance on a better future, they will invest their capital, if they believe they have some chance to succeed.

Although overwhelming support appears to be growing, some concern exists. Arnold Cantor of the Department of Economic Research, AFL-CIO suggests the Enterprise Zone will not create additional jobs nor help solve urban problems since:

- there is no up front money, it will help already profitable firms
- businesses and residents outside the zone will not benefit therefore they may move causing shutdowns and dislocations

The New York Urban Coalition is concerned that a job is not the only need for poor families, cuts in other essential services must be addressed. There must be some assurances that the hard-core unemployed will get the jobs.

City Councilman of New York, Gilberto Gerena-Valentin reminds us that the South Bronx has 24% unemployment - and without job training, they will still be unemployed (vocational education will have a friend here).

SOUTH BRONX MODEL

A potential Urban Enterprise Zone in New York City is the South Bronx.

Aronowitz and Goodman² give a capsule view of the area:

- 30% of the population (460,000) is in some type of public assistance program
- 24% unemployment
- 50,000 housing units lost since 1970 - mostly arson
- 500,000 housing units left

(similar to Watts and Chicago's South Side)

The South Bronx Development Organization, Inc., has been designated as the coordinating and administrative agency for the target area. In legislative testimony, Edward Logue, the organization president, outlined the projected model.³

²Aronowitz and Goodman: "Walk on the Supply Side" Nation, 232: 207-208, February 21, 1981.

³Testimony of Edward J. Logue, President, South Bronx Development Organization, Inc., at a Hearing of the Subcommittee on Economic Stabilization of the Committee on Banking, Finance and Urban Affairs of the U.S. House of Representatives, Chairman: Congressman James J. Blanchard, RE: Enterprise Zones: Making Them Work, July 13, 1982.

Logue indicated that the legislation must not be considered instead of other federal programs, but is intended to be used in conjunction with other initiatives. This program should permit each eligible jurisdiction to design its own approach to fit its own perception of its needs - whatever mix of housing, training, economic development it liked. That radical idea was the heart and soul of the "Country program" of the Marshall Plan which rebuilt war-devastated Western Europe in an incredibly short time. Our new look will still focus on an integrated and linked approach in five basic areas of concern: economic development, job training, housing, human services and land revitalization.

The City of New York established the boundaries of the South Bronx in 1977 shortly after President Carter's October 1977 visit to Charlotte Street. The area comprises some 20 square miles, or approximately 13,000 acres. The population is 459,777, on the basis of the still contested 1980 census, down from 763,326 in 1970, a 40% decline.

The community, civic leadership and public officials have developed the linkage approach in an attempt to have the five major programs reinforce one another. The legislature has passed several bills designed to assist enterprise zones. New York State already has in place a number of impressive programs and agencies to assist in economic development. New York City also has in place an increasingly effective incentive program. Mayor Koch has made economic development one of his top priorities. New York State has in place the nation's most powerful and versatile development entity - the New York State Urban Development Corporation. UDC has broad powers to create local subsidiaries. The City Administration is considering a well crafted piece of legislation which would set up a City UDC - the New York City Public Development Corporation, to administer the Enterprise Zone program in the South Bronx. It would have strong representation from the Borough President's Office and local community boards and community leaders, as well as representation from City Hall. It would seek to bolster the work of existing community development organizations and to maximize community input.

The Basic Thrust of the South Bronx Enterprise Zone Program

- The Enterprise Zone program is not designed to be a Housing program, at least not in any sense that we feel will work in the South Bronx.
- It is not a Human Services Program.
- Both programs are essential to a South Bronx Revitalization Program, but we propose to pursue them by other means.
- The Enterprise Zone Program must include a greatly expanded and accelerated Land Revitalization program.
- What do I mean by that? We have almost 3,000 abandoned city-owned buildings in the South Bronx and up to 5,000 vacant city-owned lots, and close to 500 acres of wasteland which we must put to productive use for housing, industrial development, playfields and temporary parks and gardens.

The major thrust of our Enterprise Zone Program must be and will be Economic Development plus Employment Training coordinated within it. This is where the role of Vocational and Technical Education must play a vital part.

If clear, strong, simple tax preferences are available for those who invest in the South Bronx whether it is in the form of depreciation allowances, tax credits, tax exemptions, tax leasing or preferably a mix, we can get the business. Potential customers who could be aided by solid enterprise zone legislation include:

1. Commerical trucking firm seeking expansion space
2. Handbag manufacturers seeking to expand
3. Trucking firm to be displaced by public improvement needs new quarters
4. Growing manufacturer of theatrical scenery which must have expansion space
5. Large food wholesaler which requires expansion space
6. Manufacturer of banknotes needs modern production facility
7. Small auto parts company seeking to expand and become owner-occupant
8. Small manufacturer of HVAC equipment needs expansion space
9. Minority owned food distributor in major expansion
10. Manufacturer of quality cabinets for department stores and business seeks expansion room.

These companies are big and small, old and young. They represent only a sample. This effort requires a well-trained, stable and reliable workforce. We believe we have the ability to meet the challenge.

A basic question for us in vocational-technical education exists - assuming high technology companies and plants relocate in the Enterprise Zone, will the local inhabitants be employed at anything but the lowest level and service jobs? The challenge is one that we must address.

BUSINESS AND INDUSTRY NEEDS

A recent review of the employment picture highlights the trend toward highly technical careers. Our career resource centers have a large number of brochures describing both companies and occupations all too familiar to each of you:

General Electric: What's it like to be an engineer?

Armco: How to Get a Job?

American Federation of Information Processing Societies:
A Look into Computer Careers

U.S. Department of Commerce: Careers with Census

The Newspaper Fund, Inc.: Look into Journalism

General Electric: Take it from Us: You can be an Engineer

National Association of Trade and Technical Schools: What's A
Nice Girl Like You Doing in a Man's World?

National Tooling and Machining Association: Career
Opportunities in the Tooling and Machining Industry

Prudential: Facing Facts About Vocational Education
for Your Career

Prudential: Facing Facts about Planning for Your
Career

Carnation Company: How to get and Keep the Job

The very nature of the recruitment by technical industries, the term so revered - "computer", the shortages for our graduates indicate yet another challenge to our profession. Can we retrain ourselves, retool of facilities, refocus our curriculum - and prepare our students to meet this demand.

TECHNICAL EDUCATION PERSPECTIVES

"The United States economy has gradually transformed since 1940 in a way that is unique in history. By the mid-1970's, America's working population was predominately engaged in information handling; more people were involved in the manipulation of information than were employed in mining, agriculture, manufacturing, and personal services combined. The changes - economic, social, cultural political - that this movement toward an information society implies are so profound that they amount to a quiet revolution, the "Information Revolution." The nature of the changes the revolution will bring in the next twenty years can only be dimly perceived, but they will certainly change forever the way an entire nation works, plays, travels, and even thinks."⁴

In the last decade, advances in microelectronics greatly increased the quality and range of services provided by information technologies, often at dramatically reduced cost. As a result, technologies have altered traditional operations in business, commerce, medicine, transportation, recreation, and the home, and pervaded almost every aspect of daily life. Information products and services now comprise a growing proportion of the national economy.

⁴Robert Hamil, "The Information Economy," The Futurist, August 1981.

The technological revolution that our economy is undergoing is qualitatively different than any that have occurred before it. Past revolutions were based upon inventions that extended the physical capacity of the human body many times over -- the steam engine could do the "work" of many men or horses, and the combine harvester could take the place of many laborers working with scythes. The present revolution is based on new technologies that extend the power of the brain -- a small computer can store more information than scores of clerical workers. The examples of this high technology are limitless, but to cite just a few illustrations; - in 1/2 second current generation computers can:

- Debit 2,000 checks to 300 different bank accounts
- and, examine 100 electrocardiograms
- and, score 150,000 answers on 3,000 tests
- and, compute net payroll for 1,000 employees

By the 1990's we will see:

- . An institution on a chip
 - Component Libraries
 - Office-on-a-Wafer
 - Component Schools
- . Super Intelligent Expert Systems
- . Biophysical Electronics
 - Genetic Engineering to make Bio-circuits
 - DNA Amino Acid Sequences to grow Computer and memory modules
 - Synaptic-like Bio-Molecular switches
- . 1,000,000 times smaller in square dimension
- . 1,000,000 times denser in three dimensional form

As a result of the technological revolution, New York State is moving from economic growth based upon its capacity to process materials to economic growth based upon its capacity to process information. Manufacturing, trade, construction, and mining are declining, while services, finance, communications, and technology-related jobs such as computer programming, hold the key to the State's economic future.

Growth has occurred in industries that create, process and distribute information - the media (television, radio, newspaper), telecommunications, printing industry, publishing, banking, insurance companies, stock market, etc. Occupations in these fields require advanced technical training, excellent communication skills, and a strong educational background.

Job opportunities will probably continue to increase for persons with training in communications, data processing, advertising, fashion and marketing and distribution, secretarial and clerical skills. The technical fields associated with the maintenance and repair of the more complex technologies being utilized in business, transportation, public institutions and the home will also be in demand.

In the 1980's and 1990's education will play a critical role in the continued economic development of the State as it has in the past. This is true, in the first place, because an economy based on skilled human resources, advanced knowledge, and technology will place greater emphasis on higher educational attainment for entry-level jobs. The "higher level" skills of today will be the "basic competencies" of tomorrow. These may include:

- o evaluation and analysis skills
- o critical thinking
- o problem-solving, strategies, including mathematical problem-solving
- o organization and reference skills
- o communication skills through a variety of modes
- o synthesis
- o decision-making, given incomplete information

Education will play a critical role, in the second place, because a massive change in the economy will bring an increased demand for new skills. Although many predicted that the computer age would lead to massive "technological" unemployment, the amount of information required to be stored and analyzed in an increasingly complex society has multiplied almost as rapidly as the data-handling capacity of the computer itself. As a result, rows of clerical workers tracking bank accounts were replaced by computer programmers and word processor operators handling complex financial transactions. New jobs were created where none existed -- computer monitoring of office heating, for example. Sustained economic growth will require a rapid increase in the number of trained technicians to fill these jobs to meet a mounting demand for information and service.

The rapid change in technology will require entry level workers to have a minimum level of technical skills and experienced workers to regularly upgrade their skills or acquire completely new skills as current ones become obsolete.

The educational system must adapt to the changes caused by the technological revolution to support the economy of the State. It must provide students with core competencies and help business and industry retrain and upgrade the skills of its current workers.

With projections showing that by 1990 more than half of all workers will be using computers in their jobs, computer literacy has also been identified as an essential "basic skills" or core competency. Other core competencies include economic concepts, decision making, interpersonal relations and manipulative skills. An individual who has developed proficiency in the core competencies should be able to move quickly, acquire the skills needed for specialized and technical jobs. The core competency issue must also be explored in terms of its impact on the adult population.

With the technological revolution that is occurring, secondary students must have some exposure to technical education to be able to compete in future job markets. Upgrading and retraining of adults must be offered using the most up-to-date equipment and skilled instructors.

However, it may not be feasible to purchase the new equipment that is constantly needed to keep programs up-to-date. Technology is changing too rapidly. New equipment almost becomes obsolete the day it is purchased. As equipment becomes more sophisticated and more expensive, on-site training in the workplace may become a more frequent choice, even at the secondary level, especially if educational institutions cannot get substantial funds on a regular basis to replace obsolete equipment.

A program developed in New York City to address the inability to keep pace with rapidly advancing technical equipment is the Training Opportunities Program (TOP). A partnership was created between the schools and private companies whereby students receive advanced training at an industrial site on sophisticated equipment. The students benefit by this training, employers have an opportunity to train potential workers according to their standards and the school system can provide advanced training without extensive capital costs.

When asked whether industries shouldn't do their own training it is generally found that employers will underinvest in training if workers are highly mobile. Education needs to be a public function. Private industry seems more reluctant than the public education system to train the hard to employ. The training of instructors must also be up-to-date but the more rapidly business and industry changes, the more rapidly the training of skilled instructors will also become obsolete. In-service education would have to be extensive and continuous. One alternative to extensive retraining of staff may be to hire instructors with the latest skills from business and industry and conduct training directly on-site. Another option is to have our vendors provide in-service training on state-of-the-art practices. This is effectively being done by many companies represented at AVA these past several days.

As further advances in technology are made in the coming years, the information economy will continue to expand. The potential application of this technology is limited only by a person's ability to think. In light of the high dropout rate in the high schools and slow academic progress evidenced by some pupils, however, a significant proportion of our youth

will not be able to participate in the expanding economy unless radical changes are made in their education.

The enterprise zone, the technology of the present, the impact on the future - these are challenges that will test our ability to adapt as professions. I believe we are well prepared for the changes - I trust we can respond to the challenge.